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**HEALTH CARE COSTS HUGE FACTOR  
IN LONG-TERM BUDGET SHORTFALLS**  
**Earlier action means more choices available, economist says**

WASHINGTON—Rapidly rising health care costs will overwhelm the federal budget in the future unless changes are made, experts told members of the Senate Budget Committee today.

“Health care is the single biggest driver of federal expenditures for the foreseeable future,” said Budget Committee Chairman Judd Gregg. “It is also probably the single biggest cost driver of everyday life in the future. We have an aging baby boom generation and their needs in health care will increase exponentially as they head into their retirement years.”

Today’s hearing was the third in a series, “Long-Term Budget Challenges: Charting Stability for Our Children and Grandchildren.” The Committee has also heard testimony from the Government Accountability Office and the Congressional Budget Office.

Thomas Saving, director of the Private Enterprise Research Center at Texas A&M University and a Medicare trustee, said Medicare, like Social Security, is facing deficits as a result of the retiring baby boom generation, falling fertility rates and lengthening life spans.

“Medicare faces these same demographic issues, plus the fact that the population’s demand for health care is growing faster than the nation’s gross domestic product,” Saving said, adding that per-capita health care expenditures had outpaced the economy by 3 percentage points since 1960.

“If Congress passed legislation today, binding on all future Congresses, setting aside 62 percent of all federal income tax revenues from now to eternity, you could just pay for promised Medicare benefits,” Saving said.

Jeffrey Brown, an economist at the University of Illinois and former Senior Economist at the White House Council of Economic Advisers, painted an equally stark picture of long-term Medicaid liabilities.

“By the time today’s kindergartners reach age 65, total Medicaid spending will consume over five dollars out of every one hundred dollars generated by the U.S. economy,” Brown said.

Gregg noted that the President’s budget takes the reasonable step of reducing the growth rate of Medicaid by \$500 million on a total Medicaid spending base of more than \$190 billion in FY 2006.

“That type of restraint would seem to me to be obtainable,” Gregg said.

Brown agreed, and indicated a particular challenge of the Medicaid program is the cost of long-term care. Medicaid is the largest single source of financing for long-term care, covering approximately 35 percent of all long-term care spending, Brown said.

“Absent significant policy changes in the way we finance long-term care in the U.S., the rise in future Medicaid costs will be closely linked with growth in long-term care expenditures of our aging population,” Brown said.

“It’s clear that the time to begin thinking about the long-term prospects for these programs is now,” Brown said. “The sooner we face these issues, the more choices will be available to us. What we as a country need to decide is how much health care do we want and how are we going to pay for it.”

Gregg said, “These are some statistics which are fairly staggering and which have enormous implications for us as a society and for the government specifically.”